

Message Text

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ORIGIN EUR-12

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TO USMISSION OECD PARIS PRIORITY

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AMEMBASSY TOKYO PRIORITY

INFO AMEMBASSY ANKARA

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AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY HELSINKI

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E.O. 11652: N/A

TAGS: ECON, OECD

SUBJECT: US PROPOSAL FOR GROWTH STUDY IN EPC'S WORKING
PARTY 2, APRIL 21-22

REFS: (A) STATE 75396

(B) OECD PARIS 8953

1. REF (A) DESCRIBED US PROPOSAL FOR STUDY OF ECONOMIC GROWTH BY WORKING PARTY TWO (WP-2) OF THE OECD'S ECONOMIC POLICY COMMITTEE. PROPOSAL WAS FOR STUDY OF GROWTH BETWEEN PRESENT AND 1980, WITH POSSIBLE EXTENSION OF ESTIMATES OUT TO 1985. PARTICULAR ATTENTION WOULD BE GIVEN TO GROWTH PATH TO 1980, BASED ON DISAGGREGATED SECTORAL ANALYSIS TO THE EXTENT FEASIBLE. WE HOPED AT LEAST PART OF STUDY MIGHT BE COMPLETED WITHIN ONE YEAR. REF (B) INDICATED SECRETARIAT WAS THINKING ALONG DIFFERENT LINES OF A TWO YEAR STUDY OF GROWTH TO 1985, CONCENTRATING ON 1985 PROJECTIONS RATHER THAN EXAMINING THE GROWTH PATH.

2. WE PLAN TO PURSUE OUR IDEAS ON NATURE AND SCOPE OF GROWTH STUDY AT APRIL 21-22 MEETING. WE STRONGLY BELIEVE THAT A SHORT RUN STUDY COMPLETED WITHIN A YEAR OF GROWTH TO 1980 WOULD BE OF GREATEST BENEFIT IN

STUDY OF POLICY QUESTIONS IN EPC. WE BELIEVE THAT TO BE USEFUL FOR POLICY PURPOSES STUDY WOULD NEED SECTORAL ANALYSIS OF SOME SORT, DRAWING IN PART ON EXISTING WORK GOING ON IN MEMBER COUNTRIES. THIS ANALYSIS MIGHT THEN BE TESTED BY USE OF INPUT-OUTPUT TABLES TO THE EXTENT THESE HAVE BEEN DEVELOPED IN MAJOR MEMBER COUNTRIES (WHILE RECOGNIZING UNCERTAINTY ABOUT APPLYING EXISTING INPUT-OUTPUT COEFFICIENTS TO FUTURE CONDITIONS).

3. PROCEDURE FOR GROWTH STUDY MIGHT BE TO DEVELOP
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ESTIMATES DURING FIRST YEAR, AND THEN REFINE THESE ESTIMATES WITH MORE DETAILED CONCURRENT STUDIES WHICH WOULD RUN UP TO TWO YEARS.

4. SPECIFIC AREAS THAT MIGHT BE EXPLORED ARE:

A. THE REQUIREMENTS FOR CAPITAL STOCK MIGHT BE

EXAMINED WITH REGARD TO NEED FOR "NORMAL" GROWTH, PLUS NEW CAPITAL REQUIREMENTS FOR ALTERNATE SOURCES OF ENERGY AND FOR POLLUTION CONTROL.

B. IMPACT OF CHANGES IN FOOD PRICES ON GROWTH MIGHT BE STUDIED.

C. IMPACT OF HIGHER PRICES OF IMPORTED ENERGY MIGHT BE STUDIED FROM POINT OF VIEW OF THE IMPACT ON GROWTH OF REQUIRED SHIFT OF RESOURCES INTO EXPORT SECTORS AND POSSIBLE RESULT OF DIFFERENTIAL TRADE PATTERNS.

5. ONE ILLUSTRATIVE QUESTION GROWTH STUDY MIGHT SHED LIGHT ON IS LABOR ABSORPTION IN THE EUROPEAN COMMUNITY. IF GROWTH IS SLOWER OVER THE NEXT FIVE YEARS, NORTHERN EUROPE MAY BE LESS ABLE TO ABSORB LABOR FROM SOUTHERN EUROPE THAN IN THE PAST. POLICIES MIGHT THUS NEED TO BE ADJUSTED BECAUSE OF CHANGED GROWTH RATES.

6. FOR OECD. PLEASE REVIEW THE ABOVE WITH SECRETARIAT AND URGE THAT IT GIVE FULL CONSIDERATION TO SUCH AN APPROACH. PLEASE ALSO INFORM ACTION ADDRESSEES THE NAMES OF DELEGATION HEADS FROM THOSE MEMBER COUNTRIES WHICH ATTENDED LAST WP-2 MEETING.

7. FOR OTHER ACTION ADDRESSEES. REQUEST YOU REVIEW THE ABOVE WITH APPROPRIATE HOST GOVERNMENT OFFICIALS WHO MAY ATTEND FORTHCOMING WP-2 MEETING AND SEEK THEIR SUPPORT AT MEETING FOR STUDY ALONG LINES WE HAVE SUGGESTED. WE WOULD ALSO HOPE THEY MIGHT BE ABLE TO OUTLINE GROWTH STUDIES CURRENTLY UNDERWAY IN THEIR COUNTRIES.

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8. FOR THE HAGUE. PLEASE DISCUSS ABOVE WITH PUTTE, ECONOMICS MINISTRY AND VAN DER BELD IN CENTRAL PLANNING BUREAU.

9. FOR OTTAWA. PLEASE DISCUSS ABOVE WITH NEUFELD. KISSINGER

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